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SOUTHEAST ASIA

1. British officials see need for additional troops in Indochina:

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[REDACTED] British officials in the Far East, meeting at Bukit Serene in Malaya in early December, concluded that troop reinforcements are urgently needed in Indochina. Noting the serious situation at Na San and the French loss of initiative outside the Tonkin delta, the British officials estimated that possibly one additional division is necessary, which under present circumstances could be supplied only by the French.

On a long term basis, they see little hope that Vietnamese forces alone can, by 1954, assume the responsibility for Indochina's defense unless in the meantime the Viet Minh suffers a military disaster permanently weakening its capabilities.

Comment: It is highly improbable that the French Government would authorize the dispatch of substantial reinforcements to Indochina in view of its current budgetary problems and commitments in Europe and North Africa.

General Alessandri, Bao Dai's military adviser, recently stated that with an additional 1,480 officers and NCO's which France "could and must provide," 40 more lightly-armed Vietnamese battalions could be promptly activated.

2. Philippine opposition party seeks Japanese campaign contribution:

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[REDACTED] A Japanese Foreign Ministry official told the American Embassy in Tokyo that an emissary of the Philippine opposition Nacionalista Party had asked for contributions to the party's campaign fund as

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the price for its support of ratification of the Japanese peace treaty.

The foreign ministry official, who is proceeding to Manila, indicated full awareness that both opposition and government parties would make political capital from any Japanese concession on reparations agreed on prior to ratification.

Comment: The Nacionalista Party, which controls the Philippine Senate, has blocked ratification of the Japanese peace treaty on the grounds that the reparations issue must first be resolved.

Japan has, in contrast to its previous position, indicated a willingness to pay interim reparations before ratification of the treaty.

NEAR EAST - AFRICA

3. Arab states protest British UN vote on Arab-Israeli negotiations:

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The Arab governments have presented notes to Britain protesting its support for the UN's eight-power resolution calling for direct Arab-Israeli negotiations without insistence on fulfillment of past UN resolutions on the Palestine question.

Discussion of the British vote is the only agenda item for the meeting of the Arab League Political Committee scheduled tentatively for 27 December.

Comment: This sharp reaction to the British vote indicates that British nonparticipation in past efforts to settle the Arab-Israeli conflict had led the Arabs to expect a different attitude toward this latest UN attempt.

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EASTERN EUROPE

4. Comment on Marshal Tito's statement threatening noncooperation with the West:

Marshal Tito's public warning to the West that Yugoslavia will seek "another outcome" if it is not treated as an ally illustrates Belgrade's traditional irritation with Italian diplomacy and fear of "big power" interference. His threat that Yugoslavia will live without aid rather than compromise on Trieste or alter the fundamental character of its regime is mainly intended to invalidate the current Italian campaign to make Western aid and military cooperation with Yugoslavia conditional on concessions from Tito.

Current developments in Yugoslav-American relations indicate that Tito is not seriously considering a reversal of his policy of dependence on Western economic and military assistance and of the trend toward military collaboration in developing joint defense plans. The breaking of diplomatic relations with the Vatican, however, almost immediately after Ambassador Allen had cautioned against such a step, shows Tito's willingness to act in bold disregard of Western public opinion.

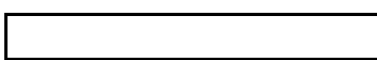
WESTERN EUROPE

5. East Germany reportedly unable to fill Soviet orders:

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the politburo of the Socialist Unity Party has criticized East Germany's failure to fulfill export orders to the Soviet Union demonstrates the country's increasingly critical material shortages.

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[redacted]
these shortages have been especially acute since the embargo of Western strategic materials, and that the production of some commodities has been stopped completely. [redacted] the USSR, however, is apparently demanding that all deliveries be made on schedule.

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Comment: Material shortages in East Germany have had a particularly serious effect on the electrical engineering industry and on heavy industries, and consequently on the five-year plan's ambitious reconstruction program for the metallurgical industry. West German semi-fabricated steel and engineering equipment remain of paramount importance to the East German economy.

6. Italy opposes new NATO commitments before elections:

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[redacted] Ambassador Bunker in Rome states that because of next spring's national elections, the present time is definitely unfavorable for presenting the proposed bilateral agreement covering US-financed military production in Italy.

The Italian Government does not want to make any new written agreements involving NATO commitments which would require parliamentary approval before the elections. It fears the effect left-wing attacks on such measures would have on the electorate.

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